

To: Hoffer, Melissa (AGO)[melissa.hoffer@state.ma.us]
From: Stein, Mark
Sent: Tue 10/13/2015 1:07:47 PM
Subject: RE: Pilgrim Closing--June 2019

Hi Melissa - Thanks for forwarding this information.

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From: Hoffer, Melissa (AGO) [mailto:melissa.hoffer@state.ma.us]
Sent: Tuesday, October 13, 2015 8:57 AM
To: Stein, Mark <Stein.Mark@epa.gov>
Subject: Pilgrim Closing--June 2019

Entergy to Close Pilgrim Nuclear Power Station in Massachusetts No Later than June 1, 2019

Oct 13, 2015

Decision driven by low energy prices, little expectation of near-term market structure improvements and increased operational costs

NEW ORLEANS – Entergy Corporation (NYSE: ETR) announced today that it will close its Pilgrim Nuclear Power Station in Plymouth, Mass., no later than June 1, 2019, because of poor market conditions, reduced revenues and increased operational costs. The company notified the independent system operator of the electric grid, the ISO New England Inc. (ISO-NE), that as of that date, Pilgrim would not participate as a capacity resource in the market. The exact timing of the shutdown depends on several factors, including further discussion with ISO-NE, and will be decided in the first half of 2016.

“The decision to close Pilgrim was incredibly difficult because of the effect on our employees and the communities in which they work and live,” said Leo Denault, Entergy’s chairman and chief executive officer. “Our people at Pilgrim are dedicated and skilled, a wonderful blend of young professionals and seasoned, experienced veterans, who for decades have been generating clean power and contributing millions of dollars of economic activity to the region. But market conditions and increased costs led us to reluctantly conclude that we had no option other than to shut down the plant.”

The decision to close Pilgrim was based on a number of financial factors:

- Low current and forecast wholesale energy prices – brought about by record low natural gas prices, driven by shale gas production – significantly impacted Pilgrim’s revenues. The current and projected market price for delivered natural gas in New England has dropped substantially because of the influx of shale gas and policy- related issues, which in turn has driven down power prices. As a result, current and forecast power prices have fallen about \$10 per megawatt hour, an annual loss of more than \$40 million in revenues for Pilgrim.
- Wholesale energy market design flaws continue to suppress energy and capacity prices in the region, and do not provide adequate compensation to merchant nuclear plants for the benefits they provide. These benefits include reliable carbon-free, large- scale 24/7 energy generation and onsite fuel storage. Efforts over the past few years to correct these market design flaws have not been sufficiently successful. Pilgrim’s economic performance is also undermined by unfavorable state energy proposals that subsidize renewable energy resources at the expense of Pilgrim and other plants. Also detrimental are a state proposal to provide above-market prices to utilities in Canada for hydro power representing about one-third of Massachusetts’ electricity demand and a recent state agency’s order that would further lower the price of natural gas and increase the region’s reliance on it.
- We have invested hundreds of millions of dollars to improve – first and foremost – Pilgrim’s safety, as well as its reliability and security but face increased operational costs and enhanced Nuclear Regulatory Commission oversight, consistent with Column 4 of the agency’s Reactor Oversight Process Action Matrix. While we will always make needed investments at any plant, we also take into account the effect on our stakeholders of operating over the long-term if it is not economically viable to do so.

While making decisions based on conditions at each plant, Entergy remains committed overall to nuclear power, whose benefits include carbon-free, reliable power that is cost effective over the long term, contributes to supply diversity and energy security as part of a balanced energy portfolio and provides almost two-thirds of America’s clean-air electricity.

Financial Implications

The effect of the shutdown on cash flow is expected to be neutral to positive through 2020, compared to Pilgrim’s continued operation, depending on uncertainty about the shutdown date, the plant’s capacity supply obligation and costs related to the NRC’s recent placement of Pilgrim in Column 4 of the Reactor Oversight Process Action Matrix. The preliminary estimate of direct costs of the plant’s response to a planned NRC enhanced inspection ranges from \$45 million to \$60 million pre-tax in operation and maintenance expense, not including any potential capital investment or other costs to address issues that may arise in the inspection.

After shutdown, Pilgrim will transition to decommissioning. The Pilgrim nuclear decommissioning trust had a balance of approximately \$870 million as of Sept. 30, 2015, representing excess financial assurance of approximately \$240 million for license termination activities above NRC-required assurance levels. Filings with the NRC for planned

shutdown activities will determine whether any other financial assurance may be required and will specifically address funding for spent fuel management, which will be required until the federal government takes possession of the fuel and removes it from the site, per its current obligation. No additional funding is anticipated at this time.

Because of the developments in third quarter 2015, including the NRC's decision to place Pilgrim in Column 4 of the Reactor Oversight Process Action Matrix and management's evaluations with respect to the future operations of Pilgrim and the James A. FitzPatrick Nuclear Power Plant, the company is required to test the plants for impairment under generally accepted accounting principles. The effects of any impairment would be reflected in third quarter results and any applicable regulatory disclosures. Any impairment would be classified as a special item (and therefore, excluded from operational results) and would have an effect on earnings expectations in future periods. Before considering any impairment or the decision to close the plant, Pilgrim was expected to incur annual after-tax net losses on an operational basis ranging from approximately \$10 million to \$30 million for 2015, 2016 and 2017.

The Pilgrim Nuclear Power Station generates 680 megawatts of nearly carbon-free electricity, enough to power more than 600,000 homes. Pilgrim began generating electricity in 1972.

Additional information regarding today's announcement is available on Entergy's corporate website at www.entergy.com.

Entergy Corporation is an integrated energy company engaged primarily in electric power production and retail distribution operations. Entergy owns and operates power plants with approximately 30,000 megawatts of electric generating capacity, including nearly 10,000 megawatts of nuclear power, making it one of the nation's leading nuclear generators. Entergy delivers electricity to 2.8 million utility customers in Arkansas, Louisiana, Mississippi and Texas. Entergy has annual revenues of more than \$12 billion and approximately 13,000 employees.

Cautionary Note Regarding Forward-Looking Statements

In this news release and from time to time, Entergy Corporation makes certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include, among other things, Entergy's statements of its plans, beliefs, estimates and expectations set forth under the caption "Financial Implications" and other statements of Entergy's plans, beliefs or expectations included in this news release. Except to the extent required by the federal securities laws, Entergy undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements are subject to a number of risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied in such forward-looking statements, including (a) those factors discussed elsewhere in this news release and in Entergy's most recent Annual Report on Form 10-K, any subsequent Quarterly Reports on Form 10-Q and Entergy's other reports and filings made under the Securities Exchange Act of 1934; (b) uncertainties associated with rate proceedings, formula rate plans and other cost recovery mechanisms; (c) uncertainties associated with efforts to remediate the effects of major storms and recover related restoration costs; (d) nuclear plant relicensing, operating and regulatory risks, including any changes resulting from the nuclear crisis in Japan following its catastrophic earthquake and tsunami; (e) changes in decommissioning trust fund values or earnings or in the timing or cost of decommissioning of the Pilgrim Nuclear Power Station and the Vermont Yankee Nuclear Power Station or any of Entergy's other nuclear plant sites; (f) legislative and regulatory actions and risks and uncertainties associated with claims or litigation by or against Entergy and its subsidiaries; (g) risks and uncertainties associated with strategic transactions that Entergy or its subsidiaries may undertake, including the proposed acquisition of the Union Power Station near El Dorado, Arkansas, including the risk that any such transaction may not be completed as and when expected and the risk that the anticipated benefits of the transaction may not be realized and (h) economic conditions and conditions in commodity and capital markets during the periods covered by the forward-looking statements.